PHADA
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# ADVOCATE

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# HUD Pursues Changes to REAC Inspection Protocols

## Efforts Come Amid Troubling Reports of Housing Conditions

Along with other groups representing the public and multifamily housing industries, PHADA attended a meeting at HUD on November 29, 2018, billed to discuss improvements to the physical inspection process. To demonstrate the importance of the issue, the Department's Chief of Staff Andrew Hughes led a contingent of principal aides to Secretary Carson in attending the meeting. Leading the meeting was Deputy Assistant Secretary for REAC, Donald "DJ" Lavoy with support from General Deputy Assistant Secretary for PIH Dominique Blom and Deputy Assistant Secretary for Multifamily Housing C. Lamar Seats. While Blom, Lavoy, and Seats were clear that they saw the meeting as the start of a longer conversation about improving the quality of assisted housing through better inspections and scoring, the Department also proposed a few significant changes with an aggressive implementation timeline.

At the top of HUD's list for improving the REAC inspection protocol was a proposal to shorten the inspection notification period to seven calendar days. This would be a monumental change to current practice, which Mr. Lavoy said provides properties with three or four months' notice. The proposal would penalize the property with a score of zero if the inspection is not allowed to take place, with one opportunity for a reinspection within 30 days. This non-collaborative scheduling process is geared towards incentivizing excellent property maintenance on a year-round basis and providing a more accurate picture of the condition of assisted housing properties. The proposed timeline indicates an effective date of February 2019 for the change. **PHADA was joined by all the other industry groups in strongly opposing this timeline**. As of the writing of this article, no final decision has been made. Additional policies under consideration include:

- Explore the utility of local codes and partnership with local governments for shared enforcement.
- Decrease the grace period for site and roof ponding to 24 hours.
- Inspect carbon monoxide detectors.
- Collect property self-inspections.

As the seven day notification period received a cold embrace from attendees, Mr. Lavoy suggested that 15 days might be more amenable. In response, PHADA Executive Director Tim Kaiser suggested the Department first hold listening sessions with HAs and multifamily owners and agents before taking any action. Recently the Department has had much success soliciting feedback through those avenues and that suggestion was warmly received. As was to be expected, industry groups had many questions regarding the proposal, but were interested in working with the Department on its longer-term goal of analyzing and designing new standards and protocols. Mr. Lavoy put forth HUD's idea that a pilot of a new inspection standard could begin as early as Summer 2019.

*See "REAC Inspection Protocols" continued on page 11*

influence study findings at the Louisville HA.

While the study may develop clear outcomes concerning the effects of new rent policies on household earnings and workforce engagement, other effects of these changes may be more difficult to identify. For example, the study hopes to uncover administrative savings produced by the new policies, but those policies affect only half of households in the sample, and that sample is only about 19 percent of the HCV program participants at these four agencies. Administrative simplifications and cost savings may be difficult to identify from effects on 9 or 10 percent of HCV participants.

The study applies several attractive policy alternatives to experimental groups at each of four agencies. However, as noted above, the San Antonio Housing Authority had already established a minimum rent of $150 per month and that policy remained in effect for that HA's experimental group. The DC Housing Authority had already implemented biennial recertifications for all program participants at that agency. Participants in the experimental group there went on the triennial schedule, but the control group remained on the 2-year schedule, so differences between the control group and the experimental group may be affected. The option for households to opt-out of the new rent policies in the experimental group in Louisville may have unexpected impacts on outcomes there. The only agency that appears to be completely implementing the full set of new policies in the demonstration study will be the Lexington HA.

With these variations among study sites, when HUD publishes MDRC's next report on preliminary outcomes after a year to a year and a half of implementation, it may be that even modest changes resulting from implementation of new rent policies will be important findings because of variations among the study HAs. In addition, broader national programmatic changes such as those contained in HOTMA may also influence the study's outcomes and must be considered as HUD and MDRC evaluate the import of the study's alternative rent setting policies, and the effects of those policies on participants and on HAs. ■

*"REAC Inspection Protocols" continued from page 1*

Mr. Lavoy contends that beyond the properties with poor physical conditions that grab headlines, there are a number of other properties that focus their maintenance efforts solely around REAC inspections. To illustrate this point, he recounted one example of an owner who paid tens of thousands of dollars for a consultant to help pass its inspection. This example, coupled with Mr. Lavoy's assertion that 95 percent of owners and housing authorities "do exactly what is expected" illuminates the correct course of action for HUD: targeted use of its existing enforcement mechanisms. HUD has the opportunity and truly the obligation to direct its attention to the outliers that attempt to game the system while separately contemplating the changes needed to modernize REAC inspection standards and procedures.

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### Both the Problem and Solution Are Obvious

An examination of the unacceptable conditions too many properties are in reveals clear solutions to the problem: Congress and HUD must increase funding and oversight. While it is true that the current inspection protocol is 20 years old and may need updating to conform with more modern practices and older properties, the Department cannot expect to achieve optimal physical conditions solely by tinkering with inspection policies and procedures.

Too frequently, HUD treats HAs as wards and Section 8 project-based owners as partners. Therefore, PHADA was pleased that HUD included representatives from both the public housing and multifamily housing industries in the same meeting. PHADA does not believe that different inspection protocols are warranted for the two industries but urges HUD to consider the distinct regulatory and fiscal environments in which each of them operates in crafting proposed solutions.

One of the central points PHADA made to HUD during the discussion was in regards to the Department's capacity to monitor properties with poor physical conditions scores. The Department currently holds data on REAC inspection results but media reports suggest that data is not being used effectively. The resources HUD intends to spend tightening its inspection protocol may be better directed towards enforcement activities.

Both the HUD Office of Inspector General (OIG) and the U.S. Government Accountability Office (GAO) have detailed the ineffectiveness of the Departmental Enforcement Center (DEC) due to staff loss, budget decreases, and organizational changes since being relocated to the Office of General Counsel (OGC) from the Office of the Deputy Secretary. According to HUD, the DEC "will take on expanded responsibility for much of the other enforcement activity now carried out by offices elsewhere in HUD." This intention is not borne out in the Department's FY 19 budget request which, while stating that OGC will "lead the Department's efforts to enforce HUD program requirements and protect HUD assets," continues staff reductions in that unit.

PHADA continues to advocate for sufficient funding for the public housing Capital Fund which has still not rebounded to the amount of funding provided during the Clinton administration. In FY 2001, the Capital Fund appropriation was $2.83 billion, which, adjusted for inflation would equal $4.225 billion today. That figure is $1.475 billion more than the FY 18 appropriation. This figure, which does not take into account the adequacy of the FY 01 appropriation or the accrual of capital needs since that time, is alarming on its own. Until Congress makes a commitment to provide the funding needed to address the capital needs of public housing properties, there will continue to be distress and deterioration in the inventory. ■